

saipem



Interim Report at March 31, 2015  
Approved by the Board of Directors on April 27, 2015



## Saipem: First Quarter 2015 results

San Donato Milanese, April 27, 2015 - The Board of Directors of Saipem S.p.A. today approved Saipem Group's Interim Report as at March 31, 2015 (not subject to audit).

### First quarter 2015:

- **Revenues: €3,020 million (€2,891 million in the first quarter of 2014)**
- **EBIT: €159 million (€127 million in the first quarter of 2014)**
- **Net profit: €77 million (€61 million in the first quarter of 2014)**
- **Investments: €150 million (€204 million in the first quarter of 2014)**
  
- **Net debt at the end of the quarter: €5,193 million (€5,610 at March 31, 2014; €4,424 million at December 31, 2014)**
  - **This includes a negative cash impact of €381 million relating to FX hedging derivatives maturing in the quarter, an impact which will be fully recovered as the hedged projects are executed. Net debt before this impact was €4,812 million**
  - **Cashflow of €269 million (+14% vs. the first quarter of 2014)**
  
- **New contracts: €2,399 million (€3,900 million in the first quarter of 2014)**
- **Backlog: €21,526 million as at March 31, 2015 (€18,074 million at March 31, 2014; €22,147 million at December 31, 2014)**
  
- **Guidance for full year 2015 confirmed**
  - **Revenues: between €12 and €13 billion**
  - **EBIT: between €500 and €700 million**
  - **Net profit: between €200 and €300 million**
  - **Investments: ~€650 million**
  - **Net debt: <€4 billion (excluding potential impact of US dollar fluctuations – current forecast is a negative impact of €500 million at year end)**

Umberto Vergine, Saipem CEO, commented:

*“During the first quarter of 2015, despite the negative market environment caused by lower oil prices, Saipem continued its recovery process and its operating results confirm an improving trend.*

*The strategy put in place over the past years is based on the strength of the drilling business, on the effort to complete legacy and loss making projects as well as possible, and on ensuring a positive*

*contribution from new projects awarded in the context of a more solid and disciplined commercial policy.*

*Largely as a result of the projects awarded in 2014, Saipem can count on a strong and diverse backlog in excess of €21 billion which highlights the trust that the company has been afforded by its clients, and which provides it with a strong market position in the context of a significant downturn.*

*Saipem's recovery process is yet to be completed. At the same time, new challenges have arisen in the sector, in particular slowing client capex as a result of the current oil-price environment. However I am confident that Saipem has created a solid basis to enable it to complete its recovery process and return to historic levels of profitability."*

## Financial highlights

(million euro)

	Q1 2014	Q4 2014	Q1 2015	Q1 2015 vs Q1 2014 (%)
Revenues	2,891	3,398	3,020	4.5
EBITDA	303	220	351	15.8
Operating profit	127	(388)	159	25.2
Adjusted operating profit	127	22	159	25.2
Net profit	61	(442)	77	26.2
Adjusted net profit	61	(32)	77	26.2
Cash flow (Net profit + Depreciation and amortisation)	237	166	269	13.5
Investments	204	219	150	(26.5)
New contracts	3,900	2,983	2,399	(38.5)

Revenues and associated profit levels, particularly in the Engineering and Construction sector, and, to a lesser extent, in the Drilling sector, are not consistent over time, as they are influenced not only by market performance but also by climatic conditions and individual project schedules. Consequently, the results from any one particular fiscal period can vary significantly, thereby precluding a direct comparison with the same period in other fiscal years or extrapolation of figures from a single quarter to the entire year.

### Q1 management update

The Company continued its recovery process during the first quarter of 2015, achieving a solid operating result, despite the challenging market conditions affecting oil companies' spending plans.

**Revenues** amounted to €3 billion, an increase of 4.5% on the first quarter of 2014. This was driven primarily by improvements in E&C Offshore and the Drilling segment, which were supported by good offshore fleet utilization and the appreciation of the USD. Meanwhile, E&C onshore business revenues declined as a result of the progressive completion of legacy projects, and in line with our selective approach.

**EBIT** for the quarter was €159 million, 25% higher than in the first quarter of 2014. The improvement in profitability was driven by the E&C business, which showed a lower overall impact from legacy projects and a positive initial contribution from newly awarded contracts, which will ramp up over the coming quarters. In addition, the Company also saw a steady contribution from Drilling, where it is currently seeing a limited impact of daily rate reductions on our ongoing commitments.

**Capital expenditure** in the first quarter of 2015 amounted to €150 million (€204 million in the first quarter of 2014) and included:

- €2 million in the Offshore Engineering & Construction sector, relating mainly to the maintenance and upgrade of the existing asset base;
- €14 million in the Onshore Engineering & Construction sector, relating to the purchase of equipment and the maintenance of existing assets;

- €52 million in the Offshore Drilling sector, mainly relating to class reinstatement works for the jack-ups Perro Negro 2 and Perro Negro 8, in addition to the maintenance and upgrade of the existing assets;
- €32 million in the Onshore Drilling sector, relating to the maintenance of the existing asset base.

**Net financial debt** at March 31, 2015 amounted to €5,193 million, €769 million higher than at the end of 2014 but €417 million lower than in the first quarter of 2014. Before the negative cash impact of €381 million relating to FX hedging derivatives, net debt reached €4.8 billion, approximately €800 million lower year on year.

The negative FX impact comes from the settlement of derivatives contracts which hedge the long-term dollar exposure of megaprojects. In accordance with the Company's hedging policy, dollar exposure is neutralized through rolling derivatives which are normally cash-settled within 12 months. These derivative contracts therefore mature earlier than hedged project cash flows, but over the life of the project, all cash impacts are neutralized. The Q1 impact of €381 million will be fully recovered over the life of the underlying projects, as cashflows will benefit from the stronger dollar.

**Backlog:** During the first quarter of 2015, Saipem was awarded contracts amounting to €2,399 million (€3,900 million in the first quarter of 2014), reflective of the slower industry investment scenario. Saipem's backlog at March 31, 2015 stood at €1,526 million (€1,532 million in Offshore E&C, €6,201 million in Onshore E&C and €3,793 million in Drilling), of which €7,440 million is due to be realised in 2015.

In April 2015, Saipem successfully extended the TAD contract by two years and rescheduled the Scarabeo 6 contract for workover drilling services up to the end of 2015.

### **Management Outlook for 2015**

Progress achieved in the first quarter underpins our expectations for a solid performance in 2015, despite the outlook for the oil price remaining weak, which could impact how Saipem's clients approach operational and commercial issues on ongoing projects. As such, Saipem confirms the outlook provided at the full year results on February 16, 2015.

The Company expects to achieve revenues of between €12 billion and €13 billion. This range reflects the uncertainties related to the South Stream contract, as the Client is still to provide indications as to the future of this project. EBIT is forecast at between €500 million and €700 million, while net profit is expected to be between €200 million and €300 million. Investments will amount to €650 million, slightly lower than previous long-term indications, adopting measures to improve efficiency and curb net debt.

Finally, our net debt objective continues to be the achievement of a level below €4 billion, excluding the impact of exchange rate fluctuations. Based on the current prevailing forex rates, we expect the cash impact of hedging derivatives to impact net debt by approximately €500 million at year end.

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This press release should be read jointly with the condensed interim consolidated financial statements at June 30, 2014 and the statutory and consolidated financial statements of Saipem S.p.A. at December 31, 2014, which are already available on the Company's website ([www.saipem.com](http://www.saipem.com)) under the section "Investor Relations – Financial Information."

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Saipem's Chief Financial and Compliance Officer, Mr Alberto Chiarini, in his capacity as manager responsible for the preparation of the Company's financial reports, certifies, pursuant to art. 154-bis paragraph 2 of Legislative Decree no. 58/1998, that accounting data corresponds to the Company's documents and accounting books and entries.

By their nature, "forward-looking statements" are subject to risk and uncertainty since they are dependent upon circumstances which should or are considered likely to occur in the future and are outside of the Company's control. These include, but are not limited to: monetary exchange and interest rate fluctuations, commodity price volatility, credit and liquidity risks, HSE risks, the levels of capital expenditure in the oil and gas industry and other sectors, political instability in areas where the Group operates, actions by competitors, success of commercial transactions, risks associated with the execution of projects (including ongoing investment projects), in addition to changes in stakeholders' expectations and other changes affecting business conditions. Actual results could therefore differ materially from the forward-looking statements. The Financial Reports contain in-depth analyses of some of the aforementioned risks. Forward-looking statements are to be considered in the context of the date of their release.

## Conference call and webcast

A conference call and webcast will be hosted by CEO Umberto Vergine today at 5.30pm CEST (4.30pm BST, 11.30am EDT, 8.30am PDT). It can be followed on Saipem's website [www.saipem.com](http://www.saipem.com) by clicking on the webcast banner on the home page, or through the following URL: <http://edge.media-server.com/m/p/kn8wfp2m>.

During the conference call and webcast, a presentation will be given, which will be available for download from the webcast window and from the 'Investor Relations / Financial Information' section on the [www.saipem.com](http://www.saipem.com) website, around 15 minutes before the scheduled start time. This presentation will be also available for download from the authorised storage device "Nis Storage" at [www.emarketstorage.com](http://www.emarketstorage.com) and Borsa Italiana S.p.A ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

*Saipem operates in the Engineering & Construction and Drilling businesses, with a strong bias towards oil & gas-related activities in remote areas and deep-waters. Saipem is a leader in the provision of engineering, procurement, project management and construction services with distinctive capabilities in the design and execution of large-scale offshore and onshore projects, and technological competences such as gas monetization and heavy oil exploitation.*

**Website:** [www.saipem.com](http://www.saipem.com)

**Switchboard:** +39-025201

### Shareholder Information

Saipem S.p.A., Via Martiri di Cefalonia, 67 - 20097 San Donato Milanese (MI), Italy

### Institutional relations and communication:

**Tel.:** +39-02520.34088

**E-mail:** [media.relations@saipem.com](mailto:media.relations@saipem.com)

### Relations with institutional investors and financial analysts:

**Tel.:** +39-02520.34653

**Fax:** +39-02520.54295

**E-mail:** [investor.relations@saipem.com](mailto:investor.relations@saipem.com)

### Media relations:

#### iCorporate

**Tel.:** +39 02 4678752

**Cell.:** +39 366 9134595

**E-mail:** [saipem@icorporate.it](mailto:saipem@icorporate.it)

#### Finsbury

**Tel.:** +44 (0)20 7251 3801

[saipem@finsbury.com](http://saipem@finsbury.com)

## Analysis by business sector

### Engineering & Construction: Offshore

(million euro)

	Q1 2014	Q4 2014	Q1 2015	Q1 2015 vs Q1 2014 (%)
Revenues	1,505	1,996	1,751	16.3
Expenses	(1,379)	(1,779)	(1,603)	16.2
Depreciation and amortization	(66)	(235)	(79)	19.7
Operating profit	60	(18)	69	15.0
Asset devaluation	–	160	–	–
Adjusted operating profit	60	142	69	15.0
EBITDA %	8.4	10.9	8.5	
EBIT %	4.0	7.1	3.9	
New contracts	2,711	749	2,122	

The backlog at March 31, 2015 stood at €1,532 million, of which €4,886 million is due to be realised in 2015.

- Revenues for the first quarter of 2015 amounted to €1,751 million, representing a 16.3% increase compared to the first quarter of 2014, mainly due to higher levels of activity in certain geographies, including Central and South America, which largely offset the lower levels of activity recorded in North America.
- Operating profit for the first quarter of 2015 amounted to €69 million, equivalent to 3.9% of revenues, compared to €60 million in the same period of 2014, equivalent to 4.0% of revenues. EBITDA margin stood at 8.5%, in line with the same period for 2014.
- In accordance with accounting standards IFRS 10 and 11, the deconsolidation of joint ventures had a negative impact of €2 million on revenues and a negative impact of €5 million on operating profit during the first quarter of 2015, deriving mainly from operations in Angola (negative impact of €37 million on revenues and a negative impact of €5 million on operating profit in the first quarter of 2014).
- The main contracts acquired in the first quarter of 2015 include:
  - On behalf of North Caspian Operating Co (NCOC), a contract for the construction of two 95 kilometre pipelines, which will connect D island in the Caspian Sea to the Karabatan onshore plant in Kazakhstan. The scope of work includes engineering, welding materials, the conversion and preparation of vessels, dredging, installation, burial and pre-commissioning of the two pipelines. Construction will be completed by the end of 2016.



## Engineering & Construction: Onshore

(million euro)

	Q1 2014	Q4 2014	Q1 2015	Q1 2015 vs Q1 2014 (%)
Revenues	935	894	758	(18.9)
Expenses	(954)	(1,130)	(766)	(19.7)
Depreciation and amortization	(10)	(10)	(10)	-
Operating profit	(29)	(246)	(18)	(37.9)
EBITDA %	-2.0	-26.4	-1.1	
EBIT %	-3.1	-27.5	-2.4	
New contracts	973	1,872	256	

The backlog at March 31, 2015 stood at €6,201 million, of which €1,483 million is due to be realised in 2015.

- Revenues for the first quarter of 2015 amounted to €758 million, representing an 18.9% decrease compared to the first quarter of 2014, mainly due to lower levels of activity in the Middle East, Australia and West America.
- Operating profit for the first quarter of 2015 amounted to -€18 million, compared to -€29 million in the first quarter of 2014.
- In accordance with accounting standards IFRS 10 and 11, the deconsolidation of joint ventures had a negative impact of €14 million on revenues and a negative impact of €2 million on operating profit during the first quarter of 2015, deriving mainly from operations in Turkey (negative impact of €9 million on revenues and no impact on operating profit in the first quarter of 2014).

## Drilling: Offshore

(million euro)

	Q1 2014	Q4 2014	Q1 2015	Q1 2015 vs Q1 2014 (%)
Revenues	284	314	308	8.5
Expenses	(142)	(142)	(163)	14.8
Depreciation and amortization	(63)	(323)	(59)	(6.3)
Operating profit	79	(151)	86	8.9
Asset devaluation	–	250	–	–
Adjusted operating profit	79	99	86	8.9
EBITDA %	50.0	54.8	47.1	
EBIT %	27.8	31.5	27.9	
New contracts	81	178	9	

The backlog at March 31, 2015 stood at €2,621 million, of which €81 million is due to be realised in 2015.

- Revenues for the first quarter of 2015 amounted to €308 million, representing an 8.5% increase compared to the first quarter of 2014, mainly attributable to increased operations by the semi-submersible rig Scarabeo 7, which had been undergoing upgrade works in the first quarter of 2014; this partially offset reduced operations by the Jack-ups Perro Negro 2 and Perro Negro 8, which underwent upgrade works, and by the semi-submersible rig Scarabeo 3, which has been idle since March 5, 2015.
- Operating profit for the first quarter of 2015 amounted to €86 million, compared to €79 million in the first quarter of 2014, with the margin on revenues largely unchanged. EBITDA margin stood at 47.1%, a 2.9% decrease on the 50.0% achieved in the first quarter of 2014.

- Vessel utilisation in the first quarter of 2015 and the maintenance schedule for 2015 are as follows:

<i>Vessel</i>	<i>Q1 2015</i>		<i>Year 2015</i>
	<i>Under contract</i> <i>(days)</i>	<i>Idle</i>	<i>Idle</i> <i>(days)</i>
Semi-submersible rig Scarabeo 3	53	37 (b+c)	128 (a+b+c)
Semi-submersible rig Scarabeo 4	90	–	–
Semi-submersible rig Scarabeo 5	90	–	–
Semi-submersible rig Scarabeo 6	83	7 (b)	23 (a+b)
Semi-submersible rig Scarabeo 7	90	–	–
Semi-submersible rig Scarabeo 8	90	–	–
Semi-submersible rig Scarabeo 9	90	–	–
Drillship Saipem 10000	87	3 (a)	122 (a)
Drillship Saipem 12000	90	–	92 (a)
Jack-up Perro Negro 2	21	69 (a)	69 (a)
Jack-up Perro Negro 3	90	–	–
Jack-up Perro Negro 4	80	10 (a)	10 (a)
Jack-up Perro Negro 5	90	–	122 (a)
Jack-up Perro Negro 7	90	–	–
Jack-up Perro Negro 8	–	90 (a)	166 (a)
Tender Assisted Drilling Barge	81	9 (a)	15 (a)
Ocean Spur	90	–	–

(a) = the vessel underwent/shall undergo class reinstatement works and/or preparation works for a new contract.

(b) = the vessel underwent maintenance works to address technical problems.

(c) = the vessel was not under contract.

## Drilling: Onshore

(million euro)

	Q1 2014	Q4 2014	Q1 2015	Q1 2015 vs Q1 2014 (%)
Revenues	167	194	203	21.6
Expenses	(113)	(127)	(137)	21.2
Depreciation and amortization	(37)	(40)	(44)	18.9
Operating profit	17	27	22	29.4
EBITDA %	32.3	34.5	32.5	
EBIT %	10.2	13.9	10.8	
New contracts	135	184	12	

The backlog at March 31, 2015 stood at €1,172 million, of which €390 million is due to be realised in 2015.

- Revenues for the first quarter of 2015 amounted to €203 million, a 21.6% increase compared to the revenues achieved in the first quarter of 2014, mainly due to increased levels of activity in Saudi Arabia and South America.
- Operating profit for the first quarter of 2015 amounted to €22 million, compared to €17 million in the first quarter of 2014, with the margin on revenues rising from 10.2% to 10.8%. EBITDA margin stood at 32.5%, a slight increase on the first quarter of 2014.
- In accordance with accounting standards IFRS 10 and 11, the deconsolidation of joint ventures had a negative impact of €6 million on revenues and no impact on operating profit during the first quarter of 2015 (the same impact as in the first quarter of 2014).

Average utilization of assets in the first quarter of 2015 stood at 96.2% (95.7% in the first quarter of 2014). At March 31, 2015, the Company owned 100 rigs, located as follows: 28 in Saudi Arabia, 28 in Venezuela, 19 in Peru, six in Colombia, four in Bolivia, four in Ecuador, four in Kazakhstan, two in Italy, one in Chile, one in Congo, one in Mauritania, one in Tunisia and one in Turkmenistan.

Additionally, five third-party rigs were deployed in Peru, one third-party rig in Congo and one in Chile.

Attachments:

Reclassified consolidated balance sheet, consolidated income statements reclassified by nature and function of expenses and reclassified statement of cash flow.

## RECLASSIFIED CONSOLIDATED BALANCE SHEET

(million euro)

	December 31, 2014	March 31, 2015
Net tangible fixed assets	7,601	7,719
Net intangible fixed assets	<u>760</u>	<u>759</u>
	8,361	8,478
- Engineering & Construction: Offshore	3,666	3,680
- Engineering & Construction: Onshore	590	603
- Drilling: Offshore	3,034	3,045
- Drilling: Onshore	1,071	1,150
Financial investments	112	125
<b>Non-current assets</b>	<b>8,473</b>	<b>8,603</b>
<b>Net current assets</b>	<b>297</b>	<b>960</b>
<b>Employee termination indemnities</b>	<b>(237)</b>	<b>(242)</b>
<b>Assets (Liabilities) available for disposal</b>	<b>69</b>	<b>-</b>
<b>CAPITAL EMPLOYED</b>	<b><u>8,602</u></b>	<b><u>9,321</u></b>
<b>Shareholders' equity</b>	<b>4,137</b>	<b>4,077</b>
<b>Minority interest in net equity</b>	<b>41</b>	<b>51</b>
<b>Net debt</b>	<b>4,424</b>	<b>5,193</b>
<b>COVER</b>	<b><u>8,602</u></b>	<b><u>9,321</u></b>
<b>Leverage (net debt/shareholders' equity)</b>	<b>1.06</b>	<b>1.26</b>
<b>SHARES ISSUED AND OUTSTANDING</b>	<b>441,410,900</b>	<b>441,410,900</b>

**CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY  
NATURE OF EXPENSES**

(million euro)

<b>Q4 2014</b>	<b>Q1</b>	
	<b>2014</b>	<b>2015</b>
3,398 Operating revenues	2,891	3,020
2 Other revenues and income	2	–
(2,564) Purchases, services and other costs	(2,021)	(2,047)
(616) Payroll and related costs	(569)	(622)
<b>220 GROSS OPERATING RESULT</b>	<b>303</b>	<b>351</b>
(608) Amortization, depreciation and write-downs	(176)	(192)
<b>(388) OPERATING RESULT</b>	<b>127</b>	<b>159</b>
(37) Financial expenses	(49)	(52)
(6) Income from investments	12	24
<b>(431) INCOME BEFORE INCOME TAXES</b>	<b>90</b>	<b>131</b>
(19) Income taxes	(29)	(43)
<b>(450) INCOME BEFORE MINORITY INTEREST</b>	<b>61</b>	<b>88</b>
8 Minority interest	–	(11)
<b>(442) NET RESULT</b>	<b>61</b>	<b>77</b>
<b>166 CASH FLOW</b> (Net result + Depreciation and amortization)	<b>237</b>	<b>269</b>

**CONSOLIDATED INCOME STATEMENT  
RECLASSIFIED BY FUNCTION OF EXPENSES**

(million euro)

<b>Q4 2014</b>	<b>Q1</b>	
	<b>2014</b>	<b>2015</b>
3,398 Operating revenues	2,891	3,020
(3,664) Production costs	(2,645)	(2,726)
(23) Idle costs	(32)	(43)
(38) Selling expenses	(34)	(32)
(3) Research and development costs	(2)	(4)
(6) Other operating income (expenses), net	(4)	(5)
<b>(336) CONTRIBUTION FROM OPERATIONS</b>	<b>174</b>	<b>210</b>
(52) General and administrative expenses	(47)	(51)
<b>(388) OPERATING PROFIT</b>	<b>127</b>	<b>159</b>
(37) Financial expenses	(49)	(52)
(6) Income from investments	12	24
<b>(431) INCOME BEFORE INCOME TAXES</b>	<b>90</b>	<b>131</b>
(19) Income taxes	(29)	(43)
<b>(450) INCOME BEFORE MINORITY INTEREST</b>	<b>61</b>	<b>88</b>
8 Minority interest	–	(11)
<b>(442) NET PROFIT</b>	<b>61</b>	<b>77</b>
<b>166 CASH FLOW (Net Profit + Depreciation and amortization)</b>	<b>237</b>	<b>269</b>

## RECLASSIFIED STATEMENT OF CASH FLOW

(million euro)

Q4 2014		Q1	
		2014	2015
(442)	Net profit	61	77
(8)	Minority interest	–	11
	<i>Adjustments to reconcile cash generated from operating income before changes in working capital:</i>		
632	Depreciation, amortization and other non-monetary items	169	134
782	Variation in working capital relating to operations	(834)	(816)
<b>964</b>	<b>Net cash flow from operations</b>	<b>(604)</b>	<b>(594)</b>
(219)	Investments in tangible and intangible fixed assets	(204)	(150)
(5)	Investments and purchase of consolidated subsidiaries and businesses	–	–
7	Disposals	7	97
<b>747</b>	<b>Free cash flow</b>	<b>(801)</b>	<b>(647)</b>
–	Buy back of treasury shares/Exercise of stock options	–	–
(1)	Cash flow from share capital and reserves	(44)	(2)
(40)	Effect of exchange rate differences on net debt and other changes	(5)	(120)
<b>706</b>	<b>Change in net debt</b>	<b>(850)</b>	<b>(769)</b>
<b>5,130</b>	<b>Net debt at beginning of period</b>	<b>4,760</b>	<b>4,424</b>
<b>4,424</b>	<b>Net debt at end of period</b>	<b>5,610</b>	<b>5,193</b>



Headquarters: San Donato Milanese (Milan) - Italy  
Via Martiri di Cefalonia, 67  
Branches:  
Cortemaggiore (Piacenza) - Italy  
Via Enrico Mattei, 20



saipem

**saipem** Società per Azioni  
Capital Stock €441,410,900 fully paid  
Tax identification number and Milan Companies'  
Register No. 00825790157

Saipem is a subsidiary of Eni SpA

[www.saipem.com](http://www.saipem.com)